UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN

State of Michigan,

Plaintiff,

v.

M22, LLC, a Michigan limited Liability company,

Defendant.

No. 1:16-CV-1084
Lower Court No. 16-648-CA

HON. GORDON J. QUIST

MAG. RAY KENT

STATE OF MICHIGAN'S BRIEF ON STANDING

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STATE OF MICHIGAN'S BRIEF ON STANDING

Pursuant to the Court's December 20, 2016 Order for Further Briefing (Doc. 12) relating to the State of Michigan's (State's) standing, the State states as follows:

I. STANDING IN A TRADEMARK CANCELLATION PROCEEDING

"To establish Article III standing, a plaintiff must show injury-in-fact, a causal relationship between the injury and the defendant's challenged acts, and the likelihood that a favorable decision will redress the injury." *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992). This Court expressed "concerns as to Plaintiff's standing, particularly with respect to the injury requirement." (Doc. 12.)

Under *Lujan*, an injury-in-fact must be "concrete and particularized and actual or imminent." *Id.* at 560. The State, however, is not required to wait for the threatened injury to occur before seeking preventive relief. *Peoples Rights Org., Inc. v. City of Columbus*, 152 F.3d 522, 527 (6th Cir. 1998). In seeking declaratory relief, the State can establish standing by demonstrating "actual present harm or a significant possibility of future harm . . . ." *Id.*

In this case, the State seeks a ruling on issues relating to its trademark cancellation claims pending before the Trademark Trial and Appeal Board ("Board"). As the party seeking cancellation, the State must prove that it has standing and that there are valid grounds for trademark cancellation. *Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 945 (Fed. Cir. 2000). "Standing is the more liberal of the two elements and requires only that the party seeking cancellation believe that it is likely to be damaged by the registration." *Id.* A belief in likely damage can be shown by demonstrating a "real interest" in the proceeding. *Id.* (citing *Int'l Order of Job's Daughters v. Lindeburg & Co.*, 727 F.2d 1087 (Fed. Cir. 1984)). As explained more fully below, the State has a real interest in this proceeding because Defendant's trademark registrations on and alleged trademark rights in the State's road sign subject the State to (i) the risk of losing federal funding, because the sign is protected by trademark in violation of federal and state law, and (ii) lawsuits by Defendant for using the State's own sign. Defendant's trademark registrations also prevent the State from effectuating statutes enacted by representatives of its people, which constitutes a form of irreparable injury to the State's interests. *Maryland v. King*, 133 S. Ct. 1, 3 (2012) (Roberts, C.J., in chambers). And the Board addressed the standing issue early in the cancellation proceeding, ruling that the State established standing to seek cancellation of Defendant's trademark registrations on the State's sign. This Court's ruling may have a dispositive effect on the State's lawful use in commerce claim pending before the Board, which denied summary judgment in favor of the State in the absence of a court's finding that Defendant's purported trademark rights violate applicable law.

II. ARGUMENT

1. The State has standing to seek cancellation.

There are three distinct reasons Defendant's trademark registrations on and purported trademark rights in the State's sign adversely affect the State's interest. First, the State risks the loss of federal aid where its road signs are protected by trademark in violation of federal law. Second, the State seeks to ensure that state and federal law are vindicated because the state and federal MUTCDs expressly prohibit trademark protection for the State's sign. Third, the State's ability to use its century-old sign for promotional and other activities is threatened by

Defendant's claim to own trademark rights in the sign. Thus, this Court should find that the State has standing to bring this action.

A. The State has standing because Defendant's alleged trademark rights in the State's sign violate MUTCD Standards and, therefore, subject the State to the risk of losing federal highway funding.

The Michigan Constitution authorizes the State to build roads: "[t]he legislature may provide for the laying out, construction, improvement and maintenance of highways" by the State. Const. 1963, art. 7, s 16. Federal regulations require the Federal Highway Administrator to cooperate with the State, through the State highway department, in the construction of federal aid highways. 23 C.F.R. 1.3. The State highway department is authorized to "make final decisions for the State in all matters relating to, and to enter into, on behalf of the State, all contracts and agreements for projects and to take such other actions on behalf of the State as may be necessary to comply with the Federal laws and the regulations in this part." *Id.* The Michigan Supreme Court has interpreted this federal regulation to mean "that the State highway department is given a role in carrying out the Federal government's program for an interstate highway system." *City of Pleasant Ridge v. Romney*, 382 Mich. 225, 253 (1969)

To implement the State's constitutional provision and comply with Title 23 of the United States Code, the legislature enacted 1964 PA 286, MCL 247.801-816, which specifies that the State transportation director has the power "to do anything necessary and proper to comply fully with the provisions of present or future federal aid acts." MCL 247.806a(h). "This Michigan statute was not only desirable but necessary to comply with the requirements of Title 23 U.S.C.A. and the functioning of the State highway department in its federally designated role." *City of Pleasant Ridge*, 382 Mich. at 255.

To qualify for and remain eligible for federal highway funding, the State must comply with applicable federal statutes and regulations. 23 C.F.R. § 655.603(b); MCL §§ 257.608-609; Doc. 8, pp. 11-12. Federal MUTCD Standards, which are incorporated by reference in the Code of Federal Regulations and thus have the force and effect of law, prohibit trademark protection for road signs in the MUTCD or installed as part of a federal aid project. (Doc. 8, pp. 9-16.) For decades before the 2003 MUTCD Standard prohibiting trademark protection became effective (and before Defendant first put the sign on a t-shirt) through the present, the State has installed its sign on numerous federal aid projects funding Michigan highways. (Doc. 8, p. 4; Doc. 8-4.) Therefore, the State's sign is not eligible for trademark protection. Defendant's trademark registrations for, and claimed trademark rights in, the State's road sign violate federal laws and regulations prohibiting trademark protection.

The State is harmed by Defendant's alleged trademark rights in the State's sign based on unlawful use. Because state and federal law prohibit trademark protection for the State's sign, Defendant's use of the sign for the purpose of obtaining trademark rights in it was unlawful. If Defendant's alleged trademark rights in the State's sign are permitted to stand, the State will be at risk of losing federal funds for using a sign that is protected by trademark and, therefore, noncompliant with federal laws and regulations. Indeed, the MUTCD places the responsibility for the "design, placement, operation, maintenance, and uniformity of traffic control devices" on the State, and requires that "non-compliant devices . . . shall be brought into compliance[.]" (Doc. 8-3, p. I-3; Doc. 5-5, § 1A.07.) Alternatively, the State could be faced with having to adopt and implement a new sign design for thousands of miles of trunkline highways throughout Michigan. Of course, any new sign would be subject to the MUTCD and not protectable as a trademark – unless Defendant or others again assert trademark rights in the sign – at which point, the State will be required to design another new sign, and so on, and so on. The State's risk of losing federal funds or having to change its sign as a result of Defendant's trademark registrations on, and claims to trademark rights in, the State's sign constitutes actual harm or a significant possibility of future harm sufficient to confer standing on the State.

B. The State will suffer irreparable harm if prevented from enforcing applicable state and federal laws.

In accordance with Michigan and federal law, the State has adopted the MUTCD with a supplement in substantial conformance with the federal MUTCD, as approved by the Federal Highway Administrator. MCL 257.608. The supplement includes the State's sign in place of the white circle design. (Doc. 1, Complaint, Ex. 3, p. 104.) As discussed above, to qualify for federal funding, federal law requires the State to maintain road signs in compliance with federal laws and regulations. Likewise, Michigan law also requires the State to (i) maintain road signs in conformance with the MUTCD as supplemented, and (ii) enforce compliance with the MUTCD as supplemented. MCL 247.609(a) and 610(a). A finding that the State lacks standing to enforce state and federal statutes mandating compliance with the MUTCD will cause irreparable harm to the State. *See Maryland v. King*, 133 S.Ct. 1, 3 (2012) (Roberts, C.J., in chambers).

In *Maryland v. King*, Chief Justice Roberts, acting as Circuit Justice, granted Maryland's motion for a stay pending the Supreme Court's review of the state's petition for certiorari. The Chief Justice explained that Maryland would be subject to irreparable harm absent a stay when the Maryland Court of Appeals overturned the state's criminal conviction, which had been based on DNA evidence gathered under a state statute that authorized law enforcement officials to obtain DNA samples from suspects charged with but not yet convicted of certain crimes. The Court of Appeals held that the DNA collection violated King's Fourth Amendment rights. Maryland applied for a stay, which required the state to demonstrate, among other things, a likelihood of irreparable harm if the stay was denied. According to Chief Justice Roberts, "any time a State is enjoined by a court from effectuating statutes enacted by representatives of its people, it suffers a form of irreparable injury." *Id.* (internal quotation marks and citations omitted.)

Here, as long as Defendant is permitted to claim trademark rights in the State route sign, the State is unable to enforce state and federal law requiring it to maintain route signs in compliance with the state and federal MUTCDs – a direct and irreparable harm to the State. A finding that the State lacks standing to bring its claims will leave the State without recourse to effectuate state and federal laws that it is tasked with enforcing.

C. Defendant's alleged trademark rights threaten the State's ability to continue using its sign without being subject to legal claims.

Defendant's alleged trademark protection over the State's sign hinders the State's ability to use its sign without being subject to lawsuits by Defendant. "[T]he declaratory judgment procedure is an alternative to pursuit of the arguably illegal activity." *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 129 (2007) (internal quotation marks and citations omitted). "The Declaratory Judgment Act provides that, '[i]n the case of actual controversy within its jurisdiction . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.'" *Id*. at 126. "[A]n appropriate action for declaratory relief *can* be a case or controversy under Article III." *Id*. In the instant case, the State's Complaint asks the courts to declare the rights and other legal relations of the parties pertaining to Defendant's alleged trademark rights in the State's sign, and to declare the express state and federal law prohibiting trademark protection for the sign.

Defendant claims trademark protection not only for the State's sign with "M22" in the diamond, but with *any* number in the diamond, as evidenced by Defendant's threats to sue private parties using M-22, M-25, M-26, M-28, M-37, and M-119 in the white diamond for trademark infringement. (Doc. 1, ¶ 77, Exs. 21-27.) Defendant's alleged trademark rights in the State's sign, with any route number, threaten the State's ability to market and promote tourism in scenic destinations throughout Michigan, which is known for its Scenic Heritage Routes and Great

Lakes Circle Tours. (Doc. 1, ¶¶ 43-52, Exs. 10-12.) At Defendant's whim, the State may be subject to on-going threats of litigation for using its historic sign, including to market and promote tourism in any region of Michigan such as Northwest Michigan – an area nationally famous for decades before Defendant put the State's sign on a t-shirt or a hat to express a common passion for Michigan. (Doc. 1, Complaint, Ex. 8; Ex. A.) Requiring the State to choose between abandoning its rights and risking litigation "is 'a dilemma that it was the very purpose of the Declaratory Judgment Act to ameliorate.'" *Id.* (citing *Abbot Laboratories v. Gardner*, 387 U.S. 136, 152 (1967)). Accordingly, the State has standing.

2. **The Board held that the State has standing to seek cancellation, and this Court's ruling may be dispositive of the State's lawful use in commerce claim currently pending before the Board.**

At the outset of the trademark cancellation proceeding, the Board held that the State has standing to bring its claims. In December 2013, the State filed a petition to cancel Defendant's trademark registrations on the State's sign on grounds that, *inter alia*, Defendant's use of the sign in commerce was not lawful use in commerce satisfying the requirements for trademark protection because state and federal law prohibit trademark protection for the State's sign. (Ex. B.) On June 30, 2014, the State filed a Second Amended Petition. (Ex. C.)

On December 23, 2013, Defendant filed a Partial Motion to Dismiss alleging that the State "cannot provide a reasonable basis for its belief that it will be damaged by the continued registration of [the Marks] and lacks a real and personal interest in the outcome of this proceeding." (Ex. D, Brief, p. 6.) In response, the

State identified the numerous ways it has used and continues to use its sign, including providing roads and associated services, using the sign in various advertising campaigns broadcast throughout the country, and as a traffic control device required to satisfy state and federal laws. (Ex. E, pp. 3-4.) In reply, Defendant conceded that it cannot prevent the State from using its sign as a traffic control device, but Defendant remained silent on the State's use of the M-22 sign in various nationwide advertising campaigns to market and promote tourism in Northwest Michigan. (Ex. F, pp. 3-5.) And Defendant failed to refute the harm to the State where a road sign is protected by trademark in violation of the law.

On May 31, 2014, the Board issued an order finding that the State "has set forth allegations that it has an interest in the outcome of this proceeding beyond that of the general public and is not a mere intermeddler, and that it has a reasonable basis, ground in facts alleged, for its belief of damage." (Ex. G, p. 6.) The Board also found that the State "sufficiently sets forth allegations which, if proven, would establish its standing to bring this proceeding" and "is not required to allege proprietary rights for standing purposes." *Id.* at 5-6. Moreover, because the State "alleges that it has adopted and maintained a uniform system of traffic control devices, consistent with certain federal regulations, it has alleged facts which, if proven," establish its standing. *Id.* at 5. And the Board found that the State, as a governmental entity, has standing even if not selling goods. *Id.* at 5-6.

On August 27, 2015, the State moved for summary judgment on its lawful use in commerce claim. The Board held that unlawful use of a mark in commerce does not give rise to trademark rights, and the Board "will find a use unlawful only 'when the issue of compliance has previously been determined (with a finding of noncompliance) by an entity, such as a court or government agency, having competent jurisdiction under the statute in question …." (Doc. 8-16, p. 3.) The Board denied the State's motion, finding that genuine issues of fact remained as to the legal effect of the MUTCD and whether it applies to Defendant, whether Defendant's use of the State's sign for purposes of claiming trademark protection violated the MUTCD, and whether the violation was unlawful. *Id.* at p. 4.

This Court's decision on whether, under state or federal law, the MUTCD precludes Defendant from protecting the State's sign as a trademark may directly impact the Board's decision on the State's unlawful use in commerce claim. If the Court grants judgment in favor of the State, then the Board may cancel Defendant's trademark registrations on the State's sign. Axiomatically, if the Court finds that Defendant's purported use of the State's sign as a trademark is not prohibited by law, then the Board may rule against the State on its claim and deny cancellation.

III. CONCLUSION

The State respectfully requests that this Honorable Court find that the State has standing to bring its request for declaratory judgment.

Respectfully submitted,
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Dated: January 13, 2017